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SECOND QUARTERLY OUTLOOK FOR WORLD MEAT PRODUCTION AND TRADE IN 1978

Current forecasts for 1978 meat production in the key commercial markets of the world (i.e., United States, European Community, Japan, and Canada) indicate a slight increase from last year's 46.7 million metric tons (Table 4).

Pork and poultry production are forecast to rise about 3 percent, outweighing an expected overall decline in beef and veal production in these markets.

In 1978, net meat imports in these markets are expected to be about 6 percent below those of 1977, primarily because of anticipated lower net imports into the EC (Table 5).

In the major exporting countries of Latin America and Oceania, beef and veal production in 1978 is forecast only slightly below the record 7.3 million tons in 1977 (Table 6).

A major uncertainty in the production is the duration of dry conditions in Australia. Some drought-affected areas received partial relief from rains in early 1978. However, more rain will be necessary to improve overall pasture conditions. Pasture conditions in Central America are better than those of a year ago and beef production is expected to increase in in 1978.

Production is forecast to rise also in Argentina and Uruguay as a result of expected strong export demand in the case of Argentina and as a response to changes in Governmental policy in Uruguay.

These developments are expected to offset partially the anticipated decline in beef production in Australia and New Zealand. With beef production in these areas remaining relatively high at more than 7 million tons, 1978 export availabilities are forecast at 2.3 million tons, close to 1977 shipments.

Unless otherwise indicated, red meat trade is in terms of carcass weight (bone-in) equivalents; poultry trade is on a product weight basis. All weights are in terms of metric tons unless otherwise indicated.

Lamb and mutton production in Oceania and Argentina is forecast to be slightly below last year's level. In 1978, exports of these meats are expected to remain near 700,000 tons, unchanged from the level of the previous 2 years.

Beef and veal accounts for about one-half of world trade in fresh and frozen meats. Current estimates of 1978 import demand for beef amd veal in selected countries indicate a level of about 3 million tons, only slightly above estimated 1977 imports (Table 1).

Imports in the four major market areas are expected to increase modestly in view of production declines in the United States and Canada. However, import demand in several other importing areas, especially the USSR and Eastern Europe, may not match 1977 quantities in view of plans for higher meat production.

Weather conditions during the rest of the year and the availability of foreign exchange are major uncertainties in these estimates, as is the estimated import requirement of Brazil in 1978. If recent press indications of expected increased imports into Brazil prove correct, it is probable that most of this trade will be with Argentina and Uruguay.

The current state of the cattle industry in the major beef producing countries has some implication for future beef supplies beyond 1978. The United States is the world's largest producer as well as importer of beef, and may be the bellwether for future developments in other producing areas.

Total U.S. cattle numbers as of January 1, 1978, were about 116 million head -- the lowest level since January 1971 -- and may be expected to decline another 3 percent in 1978.

A similar decline in cattle numbers has occurred in the major beef exporting countries of Australia, New Zealand, Argentina, and in neighboring Canada. In these countries, cattle slaughter and beef production have been at or near record levels in 1976 and 1977.

During 1978, slaughter rates are expected to decline in the United States and major exporting countries, except in Argentina. Nevertheless, the total cattle herd in these four countries, as of January 1979, is forecast to be about 105 million head, which means a reduction in cattle numbers of 9 million head since 1975 and the lowest inventory for this group of major producers since 1972.

Recent improvements in cattle prices in the United States plus anticipated declines in slaughter rates indicate the possibility that the downward phase of the cattle cycle is about to end. However, because of the nature of

the cattle industry, it will be at least 1980 before total cattle numbers can be expected to begin rising.

With projected cattle inventories in the other four major producing countries at 1972 levels, and an increased world demand for meat because of higher incomes and greater population, a sharp tightening of world beef supplies is expected for the next few years, with resultant higher cattle and beef prices in most producing and consuming countries. Higher pork and poultry production could dampen these price increases, but it is doubtful that this will fully offset rising prices for beef products.

MAJOR IMPORTERS

United States

Livestock and meat prices will continue rising during 1978. Upward price pressures are suggested by prospects for only a slight increase in hog slaughter, smaller beef supplies, and continued strong consumer demand for meat. Supplies of poultry will expand, but prices will follow the trend of other meats.

Last year's sharp reduction in the cattle inventory indicates smaller beef supplies for the next few years, particularly after 1978. At 116.3 million head as of January 1, 1978, the total cattle and calf inventory was 12 percent below the 1975 peak. Beef cow numbers, at 38.7 million head, were down 15 percent -- the third consecutive year of inventory reduction and the sharpest decline on record.

The anticipated levels of slaughter for 1978 and the likely size of this year's calf crop point to another decline in the inventory this year. However, with recent increases in feeder cattle prices, the liquidation of the cow herd may come to an end in 1978.

Abundant grain and soybean meat supplies with resulting lower feed prices have prompted livestock and poultry feeders to expand production sharply in recent months. However, during the first half of 1978, beef production may drop about 3 percent below the year-earlier level, as the decline in nonfed cattle slaughter is expected to exceed the increase in slaughter of fed cattle.

Pork output seems likely to remain about the same during the first half of the year. Further declines in beef production are anticipated for the last half of this year, and 1978 annual production could be 3 to 5 percent below last year's total. Pork production for the last 6 months of this year could be up 3 to 5 percent and annual production may rise 2 to 3 percent. Broiler production may be up 7 percent or more in 1978.

Recent increases in hog prices have not been fully reflected at the supermarket, though the composite retail price of pork averaged 13 percent above the year-earlier level in the first quarter. For the year, retail pork prices may average a tenth of more higher, with per capita supplies up only slightly. Live hog prices are expected to average $5 to $7 per 100 pounds higher than 1977's $41.

The composite retail price of choice beef also rose sharply during the first quarter, averaging more than 10 percent above the year-earlier figure. For the year, beef consumption may fall to around 120 pounds per person, compared with more than 125 pounds last year. The annual increase in retail beef prices may exceed 12 percent. Slaughter steer prices may rise by a greater percentage than retail prices. Some tightening of marketing spreads is likely. Choice slaughter steer prices may average in the high 40's for the year.

Total U.S. imports of beef and veal in 1978 are currently forecast at 930,000 tons. Imports of meat subject to the Meat Import Law (primarily frozen beef) are expected to be about 3 percent above last year's level of 567,000 tons (product weight). The Department of State has negotiated voluntary restraint agreements with 12 major supplying countries.

This year's program is designed to limit imports of fresh, chilled and frozen beef, veal, mutton, and goat meat to the United States to about 586,000 tons (product weight), slightly below the 1978 trigger level for the imposition of quotas, but 1.6 percent above the 1977 restraint level.

Canada is taking part this year under a separate arrangment covering the two-way trade in beef between that country and the United States, similar to the arrangements in 1977. With expected improvement in U.S. prices for boneless manufacturing beef, most countries should fill their respective restraint levels. As of April 1, 1978, imports of meat subject to the Meat Import Law -- mostly boneless beef -- have amounted to 25.4 percent of the total restraint level.

U.S. beef exports in 1977 were more than 41,000 tons, about 14 percent above 1976's shipments, because of larger sales to Japan. A similar increase is expected in 1978.

U.S. exports of poultry and eggs increase in 1977 and an increase is forecast for 1978. Continued strong exports to the Far East and movement to other traditional markets and the Middle East are expected.

U.S. pork exports -- mainly fresh, chilled, and frozen carcasses and cuts -- declined slightly in 1977 and another slight decline is expected in 1978 as the Canadian market may weaken. Imports, which are largely canned products, in 1978 may remain near the 1977 level as shipments from some East European countries and Denmark compensate for possible reduced shipments from the Netherlands and Poland.

European Community

Meat Production during 1977 in the European Community is estimated to have risen 1 percent over year-earlier levels to 18.6 million tons and is forecast to increase 1 percent over this level in 1978. This is expected to dampen the need for meat imports and increase export availabilities. Net meat imports in 1977 were down slightly compared to 1976's. Net imports in 1978 are forecast to be down more than 25 percent because of significant increases in exports of pork and poultry.

Beef and veal production in 1978 is expected to be a little ahead of 1977's, but still somewhat below the level of 1976. Production increases are forecast for West Germany, France, and Italy, and these should more than offset production declines in Belgium, the Netherlands and the United Kingdom.

Intervention stocks of beef increased 22 percent during 1977 and totaled around 323,000 tons -- product weight basis -- at the beginning of 1978. These had declined about 2 percent to 317,000 tons by the end of February, but are still high compared with historic levels. Nearly two-thirds of EC intervention stocks were held by West Germany and Ireland. In mid-March, average EC prices were at 87 percent of the guide price, which indicates a likelihood that intervention purchases will continue in some countries.

The measures introduced in April 1977 to help alleviate the EC surplus dairy problem apparently had little impact on cow slaughter in 1977 in most countries, mostly because of high milk prices. In fact, 1977 cow slaughter, in aggregate, was 4 percent lower than in 1976. Cow slaughter is forecast to pick up only slightly in 1978, and probably will be considerably below 1976 levels.

Because of high retail beef prices relative to pork prices, total beef and veal consumption in the EC is estimated to have declined slightly in 1977. The largest decreases occurred in the United Kingdom and West Germany. Beef and veal consumption is forecast to increase in 1978 and will be influenced by the general economic situation in the EC and the relationship between retail beef and pork prices.

Net EC imports of beef and veal are estimated to have increased about 30 percent in 1977 over 1976 totals, owing mostly to decreased exports. In 1978, net imports should remain near the 1977 level as imports and exports are forecast to change very little. The Community will continue to be deficient in manufacturing beef, but surplus availabilities of table-quality cuts are likely because of continued low consumption and the maintenance of relatively high prices for these items.

EC pork production in 1978 is expected to be 1.2 percent above 1977 levels, slightly higher than estimated earlier. At the end of April, the average EC pork price was 10 percent below the orientation price of 120.20 units of account per 100 kilograms ($162.30/100 kg). If this price remains depressed, market intervention may again be necessary. In 1978, imports of pork are expected to decline by more that one-third and exports increase slightly so that net exports are expected to rise from 14,000 tons in 1977 to about 90,000 tons in 1978.

The green rate applicate to pork and beef in the United Kingdom was devalued by 5 percent early in 1978, and is scheduled to be further devalued by 2.5 percent in the spring. This will raise internal prices and is expected to encourage a recovery in U.K. meat production, reduce MCA subsidies on pork from other EC countries, and increase levies on imports from third countries. Thus, the U.K. green-rate reduction could pressure Denmark and the Netherlands to export more pork to other countries, including the United States, and the larger exportable supplies may cause

the EC to place more demands on Japan to take additional EC pork.

Poultry meat production, following a 3.5 percent increase in 1977, is forecast to increase another 2 percent in 1978. Led by France with an approximate 3 percent growth forecast for 1978, all EC countries are expected to experience some increases in production. The growth should be fairly well distributed among the various types of poultry meat. With the prospect for increased exports to the USSR and the Middle East, net poultry exports are expected to increase by nearly 20 percent in 1978.

Canada

Production of meat in Canada in 1977 rose 4 percent over the 1976 total, but is forecast to increase very little -- if at all -- in 1978. Beef, pork, and poultry production all registered gains in 1977. For 1978, pork production is expected to continue to increase, but production of beef and veal should decline by an offsetting amount. Net meat imports into Canada were down in 1977, led by a sharp decline in net beef and veal imports. The outlook for 1978 is for little change from 1977 in net imports of the various types of meat.

Total cattle and calves on farms on January 1, 1978, were down 6 percent compared to the total on the same date in 1977. Nearly all of this decline was in the beef breeding herd as beef cow numbers declined 7 percent and beef heifer numbers went down 13 percent, reflecting the heavy slaughter rates in these categories during 1977. Breeding herd numbers are expected to stabilize in 1978 and enter a rebuilding phase. As a result, total beef and veal production is forecast to be down 5 percent as female slaughter declines significantly.

In 1977, Canadian slaughter cattle exports to the United States were down slightly compared with 1976's. However, feeder cattle exports doubled with large increases occurring in the second half of the year. Feeder cattle exports were sparked by strong demand in the United States, resulting from low feedgrain prices and by a favorable exchange rate. Cattle exports to the United States in 1978 are forecast to be down considerably. A smaller 1977 calf crop and increased calf slaughter compared with 1976 totals, should combine with a stronger Canadian feeder cattle market to reduce export availabilities of feeder cattle in 1978. Slaughter cow exports should also be down as cows and heifers are retained to rebuild the breeding herd. Imports of cattle from the United States fell dramatically during 1977 to 23,000 head compared with over 85,000 in 1976. This decline was caused in part by market conditions and in part by Canadian health requirements.

Although beef and veal imports dropped sharply in 1977, Canada continues to be a net importer. Imports in 1977 were limited by a global import quota of approximately 66,000 tons, product weight, the bulk of which was

filled by Oceania. This quota has been increased by about 1,000 tons for 1978. Beef and veal exports, most of which go the United States, were limited by a bilateral agreement with the United States in 1977, and remain so limited in 1978.

Per capita consumption of beef and veal in 1977 was very close or slightly higher than the 1976 level of 52.3 kilograms. Consumption in 1978 is expected to fall by at least 5 percent, but decline will depend on the extent of retail beef price increases and comparable declines in retail pork prices.

Canadian pork production has increased more than previously expected. Hog numbers, according to the January 1, 1978, census were up 8 percent over last year's total to 6.65 million head. Pork production for 1978 is forecast to be up about 9 percent over 1977 levels.

The hog/barley ratio has remained favorable in Canada through March, and is expected to continue encouraging farmers to expand hog numbers. Most of the 1977 growth in hog numbers was in the east, where total hogs and the breeding herd were up 10 and 13 percent, respectively. In the West there was only a 5 percent increase in both total numbers and the breeding herd. The slow recovery in the western part of Canada is one reason total Canadian hog numbers have not responded as rapidly as expected to the good hog/barley ratio as in past years.

Both pork imports and exports are expected to be down slightly this year. Increased domestic production will reduce import requirements, while competition in the Japanese market and increased domestic consumption will reduce exports.

Poultry meat production in 1977 rose approximately 1 percent and consumption reached 20.5 kilograms per capita. In 1978, production is expected to expand slightly, surpassing the previous high of 1973. The major production increase should be in broiler meat as turkey production is expected to fall in 1978.

However, 1978 broiler production could be limited if the proposed national broiler marketing plan is implemented by the Federal Government early enough in the year. Under the proposal, production, as well as imports, will be controlled. In the absence of the broiler plan, production will likely increase faster than consumption. In either case net imports probably will decline.

Japan

Because of lower feed prices and relatively stable cattle prices, Japanese cattle numbers increased to an estimated 3.9 million head at the beginning of 1978, 2 percent above the year-earlier level. A further 2 percent in-

crease is expected this year. Beef and veal production is forecast to continue to increase in 1978 to 385,000 tons, 7 percent above the 1977 level as more calves are fed out and animals are slaughtered at heavier weights.

Beef and veal consumption in 1978 is forecast to increase 8 percent above the year-earlier level to about 500,000 tons. Although higher production will fill most of this increase, beef and veal imports are also expected to rise. Japanese beef and veal imports, much of which are used in manufacturing and processing, currently are expected to total around 135,000 tons, compared with 120,000 tons in 1977. Australia supplied 85 percent of Japan's total beef imports of 84,390 tons (product weight) in 1977, while the U.S. share dropped to 8.6 percent. Following recent U.S,-Japan trade discussions, the Japanese and U.S. Governments will cooperate to expand total demand for high-quality beef. This could increase the U.S. share of the Japanese market as well. Thus, both in 1978 and in the longer run, imports from the United States are expected to increase.

Hog numbers were estimated to be up nearly 12 percent at the start of 1978, as the growth in hog numbers accelerated more than forecast earlier. However, with the average weight per hog down, pork production in 1978 continues to be estimated at 1.2 million tons, up about 5 percent from the 1977 level. Imports are expected to continue to fall and may approximate 125,000 tons, 20 percent less than in 1977, even though the EC, and the United States, and other suppliers may be pressuring Japan to expand pork imports. The U.S. share of the pork market fell from 38 percent in 1976 to 21 percent in 1977. U.S. exports have suffered disproportionately at times when Japan does not reduce its pork import levies under the duty-waiver system. With the production increased expected this year, the duty may not be waived and U.S. exports are expected to remain depressed.

Poultry meat production increased about 6 percent in 1977 and a further increase of 5 percent is forecast for 1978. Most of this increase will be in production of broilers as they now comprise 85 percent of the total poultry meat produced. Fowl provides the remainder, as turkey and other poultry production is insignificant.

With the strong demand in 1977, imports of poultry meat rose by about 8 percent to about 41,000 tons, with the United States supplying a substantial portion. Imports are forecast to decline in 1978.

USSR

According to recently published Soviet data, the livestock industry surpassed the Five-Year Plan targets for both livestock inventories and meat production in 1977. As of January 1, 1978, total cattle numbers were 112.5 million head, a 2 percent gain from the year-earlier level; cow numbers at 42.6 million head were up 1 percent. Hog inventories grew 11 percent,

reaching the high level of 70.3 million head. Official figures for poultry inventories have not been released. However, USDA estimates they increased 4 percent over the 1977 total to attain a high level of 815.0 million head. Sheep and goat numbers were up 1 percent to 146.2 million head as of January 1. Given good weather conditions and sufficient grain and forage crops, the Soviets will continue to expand herds throughout 1978.

USSR meat production in 1977 was officially published at 14.8 million tons, an increase of 9 percent over the revised 1976 level of 13.6 million tons. The attainment of the 1977 Soviet meat output goal can be attributed to above-normal purchases by the Ministry of Procurement from the non socialized and private sectors. The Soviets are hoping to increase meat production in 1978 by 800,000 to 900,000 tons. The fullfillment of this ambitious target for 1978 will require continued better than average weather conditions. The production gains in 1977 were aided by relatively favorable growing conditions providing a rather high output level from which additional sizable growth may be difficult to achieve. However, the Soviets will probably reach the record level of 1975, which was 15.0 million tons and could possibly go higher.

Soviet imports of meat and meat products in 1977 are estimated to be in the range of 350,000 to 400,000 tons (product weight) down from earlier estimates. Thirty to thirty-five percent of these imports were from Oceania. In 1978, imports of meat are expected to be about the same level as in 1977. The majority of imports will be from Eastern Europe. Sales from Oceania to the Soviet Union remain uncertain and many exporters are now concerned that the prospects of large sales that had been forecast for 1978 may not materialize. Current expectations are that exports of beef from Australia to the USSR will be down from 87,000 tons (product weight) in 1977 to 50,000-60,000 tons in 1978, while exports from New Zealand are projected to decline from 37,000 tons in 1977 to 14,000 tons in 1978. Trade sources indicate that the USSR could possibly be a significant purchaser of Argentine beef this year.

Eastern Europe

The East European countries are expected to continue to rebuild and expand herds throughout 1978. Livestock inventories have recovered to some extent from the much-reduced 1976 levels. Cattle numbers for the region, as of January 1, 1978, are estimated at 38.2 million head, up 1 percent; hogs, 69.0 million, up 8 percent; and sheep and goats 40.6 million head, up 1 percent from year-earlier levels.

Total meat production in 1977 is now estimated at 10.9 million tons, a 2 percent increase over the 1976 level of 10.7 million tons. Of the total, red meat production is estimated at 9.3 million tons, a 1 percent increase over the year-earlier level of 9.2 million tons.

Poultry meat production increased 7 percent in 1977 and is expected to mount again in 1978. In several of the East European countries, increases in poultry meat supplies are augmenting domestic consumption of protein and substituting for less available red meats. The East European countries have been net exporters of poultry meat. For those countries for which information is available, the 1977 exports are estimated at 120,000 tons, about the same as in 1976. Current expectations are that poultry exports will increase to 132,000 tons in 1978, a 10 percent gain over the year-earlier level. This increase in export levels will be a direct result of production gains.

Australia's exports of beef to Eastern Europe in 1977 totaled 59,000 tons (product weight), while New Zealand's were 12,000 tons. The largest proportion of these shipments went to Poland. Current expectations are that exports of beef from Australia to Eastern Europe will decline to 50,000 tons in 1978.

MAJOR EXPORTERS

Australia

Beef and veal production in Australia in 1978 is forecast to be near 1.9 million tons, unchanged from the January 1 estimate but 5 percent below the record 1977 output.

The current forecast is very dependent upon seasonal conditions. Although recent rains have brought relief to several drought-stricken areas, more rain will be needed to overcome the general drought situation. Despite a likely improvement in beef export prices, Australian cattle numbers, which have dropped an estimated 12 percent during the last two years, are expected to fall another 5 percent during 1978. The estimated cattle population as of January 1, 1978, is 29.5 million head, the lowest level since January 1973. If seasonal conditions fail to improve, the drop in numbers could be even greater, which would cause 1978 beef and veal production to rise above the 1.9 million tons forecast and could reduce supply availabilities several years hence.

Domestic consumption of beef in 1978 will depend largely upon export prices. Current expectations of higher export prices point to a drop of 6 percent in domestic consumption to around 915,000 tons. However, if markets fail to materialize, domestic consumption could approach year-earlier levels.

Beef and veal exports in 1978 are expected to remain relatively high at 670,000 tons, product weight, 8 percent below the record 1977 level. This expected drop in exports is a result of somewhat smaller supplies and uncertainty about sales to the East European countries.

The United States will continue to be the largest market for Australian

beef exports during 1978, accounting for 44 percent of the total. Australia has agreed to participate once again in the U.S. voluntary restraint program for meat imports (primarily beef). Australia's restraint level in 1978 is 301,000 tons about 5,000 tons above the 1977 total. With improved prices for manufacturing quality beef in the United States and expected lower purchases of beef by the USSR and Eastern Europe, Ausralia likely will fill its U.S. restraint level.

Beef sales to Japan are expected to rise moderately to near 80,000 tons because of higher Japanese import quotas. Prices for Australian beef in Japan have improved significantly following the introduction of the Australian Meat and Livestock Corporation's (AMLC) industry wide export control scheme last November. At the same time, the Livestock Industry Promotion Corporation (LIPC) instituted a quota scheme of its own on imports thus cutting down on the number of firm's tendering for Australian beef which also helped to maintain better prices. It has been reported by the trade that prices on Japanese tenders have improved by about 30 percent since the quota scheme was introduced.

Sales to the USSR and Eastern Europe remain uncertain, as the large sales that had been forecast may not materialize. Current expectations are that sales to the USSR and Eastern Europe will total 50,000 tons for each area.

Exports to the Middle East are expected to total near 60,000 tons, about the same level as in 1977. Exports to Canada will be limited by quotas to about 27,000 tons.

Sheep numbers in Australia during 1977 fell for the third consecutive year. However, continued strong demand for live sheep and sheepmeat in the Middle East has increased Australia sheep prices, which in turn has encouraged producers to retain breeding stock to rebuild depleted herds. Live sheep and sheepmeat exports by Australia in 1978 to the Middle East are expected to remain near the very high level of 1977. Furthermore, the recent upsurge in U.S. prices of lamb has brought about increased interest in shipping lamb to the United States. U.S. imports of lamb from Australia totaled 1,697 tons, product weight, in 1977, 46 percent below the 1976 level.

New Zealand

Because of extensive drought in some areas of the North Island, which has caused larger cattle slaughter that expected earlier, beef and veal production in New Zealand in 1978 is currently forecast at 510,000 tons, about 5 percent below the year-earlier level. This is nearly 9 percent above the level forecast earlier.

With low prices for beef exports, cattle numbers in New Zealand in the past two years have dropped 5 percent from the record high of 9.8 million head in 1976. The estimated herd of 9.25 million head is the lowest since 1974.

Beef and veal consumption will likely drop somewhat in 1978 as beef prices rise relative to mutton and poultry prices. There is a surplus of pork and poultry in New Zealand for the first time in years, giving New Zealanders a wider choice in meat purchases. Beef and veal consumption is expected to be around 180,000 tons, while lamb and mutton consumption will likely drop slightly to 100,000 tons. Pork consumption is forecast to go up to about 42,000 tons.

With the higher estimate of beef and veal production than forecast earlier, exports are expected to total about 212,000 tons (product weight), 11 percent below the 1977 level but 12 percent above the level forecast in January. Because of the rise in U.S. boneless beef prices and lower expected sales to the USSR, the United States will likely account for a higher share this year. The United States accounted for 47 percent of New Zealand's beef exports in 1977. New Zealand has agreed to participate in the U.S. voluntary restraint program for meat imports, (primarily beef) subject to the U.S. Meat Import Law. New Zealand's restraint level in 1978 is about 124,000 tons, product weight, 3,000 tons above its 1977 restraint level.

Canada is expected to replace the USSR as New Zealand's second largest market in 1978. Exports to Canada are forecast at about 28,000 tons, product weight. The amount of exports to the USSR is uncertain at this time, but expectations point to a drop from 36,257 tons in 1977 to near 14,000 tons in 1978. Beef shipments to the EC will likely total about 12,000 tons, while those to Japan are forecast at 3,000 tons.

Despite the dry conditions, sheep numbers -- which have increased by over 8 percent in the past 3 years -- are expected to increase slightly again in 1978.

Sheepmeat production is forecast to increase to around 516,000 tons in 1978, 6 percent above last year's level. With continued strong demand from the Middle East, exports will likely rise 6 percent to 405,000 tons.

Central America and Hispaniola

Cattle inventories in Central America and Hispaniola are expected to rise again in 1978. Numbers are estimated to have reached 14.5 million head on January 1, 1978, 3 percent above the year earlier level. As a result of the higher inventory, beef and veal production in 1978 is forecast to increase 11 percent to about 420,000 tons.

An abnormally extended dry season plagued Central America and Hispaniola during the latter part of 1977. Since then, pasture conditions have improved considerably and heavier cattle are expected to be marketed throughout 1978.

The United State traditionally has been the sole market for beef exports

from Central America and Hispaniola. However, lower U.S. beef prices in 1976 and 1977 and voluntary restraints on exports to the United States caused some Central American countries to develop other markets, especially in Venezuela and the Middle East. Since the U.S. supply of manufacturing beef is forecast to drop in 1978 and U.S. prices for imported boneless beef are increasing, the Central American and Hispaniola countries are expected again to export almost solely to the United States Total beef and veal exports from the area in 1978 are forecast to rise to 158,000 tons, 17 percent over the previous year's levels.

Pork and poultry production and consumption are low in the Central American countries--approximately 2 kilograms each per capita. In several of the countries, the poultry industry is expanding rapidly. Pork production is also growing but at a much slower pace, so that per capita consumption of pork may remain relatively constant.

Mexico

A slightly reduced cattle inventory and prospects for herd rebuilding during 1978 are expected to cause a 2 percent decline in Mexican beef and vealoutput this year to 1.02 million tons. Pork output, on the other hand, is forecast to increase 3 percent over the year-earlier level of 428,000 tons. Poultry meat production is forecast at 331,000 tons, slightly above the level for 1977.

As a result of the lower beef and veal production estimate, domestic consumption of meat for 1978 is expected to drop about 2 percent from the 1977 level of 1.0 million tons. Beef and veal exports, however, are projected to remain at almost the same level as in 1977, owing to attractive U.S. prices.

U.S. imports of Mexican beef subject to the Meat Import Law totaled 27,261 tons, product weight, in 1977, 16 percent above the 1976 level. Mexico's voluntary restraint level for beef exports to the U.S. subject to the Meat Import Law for 1978 was set at 28,622 tons, product weight. As of April 1, shipments have totaled about 9,039 tons, substantially ahead of last year's pace. During 1978, Mexico is also expected to export about 500 tons, product weight, fresh, chilled, and frozen beef and veal to Japan.

One significant factor in Mexican-U.S. meat trade in 1977 was that maquila beef (beef produced from cattle imported from the United States) was less than 1 percent of Mexico's beef exports. Maquila beef trade was substantially down in 1977 because of the tight credit situation and the 1976 peso devaluation, which made the importation of U.S. cows for slaughter unattractive. This trade is not expected to increase substantially in 1978 because of lower availability and higher prices for slaughter cows in the United States.

Argentina

Argentina's cattle situation is characterized by a continuation of high

slaughter rates, resulting in record levels of beef production. Current forecasts indicate beef and veal output in 1978 may be 2.96 million tons. This is slightly above the large supply of 1977. The continued high rate of slaughter appears to be based on renewed Argentine optimism regarding export demand. In part, this optimism is based on the fact that the 1977 sanitary regulations in the EC banning imports of bone-in meat from foot-and-mouth disease countries did not hamper Argentine meat sales to the EC as much as had been expected. In addition, exports to non traditional markets in 1977 increased significantly. Spain, Portugal, and the Soviet Union were important buyers of Argentine beef. Sales to several countries in Africa and the Near East also increased. Argentine suppliers expect that these markets can be further developed in 1978.

In recent years, Brazil has purchased roughly 2,000 tons, product weight, of Argentine beef. Recent news reports indicate that Brazil has purchased 35,000 tons from Argentina already in 1978 and could be in the market later for another 35,000 tons. Historically, Uruguay has been Brazil's major supplier. It is possible that Argentina may supply a larger share in 1978 than in previous years if Uruguayan supplies become tighter.

The Argentine Government is pursuing plans to return control of major meat processing plants to the private sector. A reconstituted Meat Board is to be formed, which will add members from the private sector and have a budget for promotional activity in foreign markets. In addition to the reorganization of the packing industry, steps are being taken to regularize transportation from Argentina to the Middle East and to increase cold storage capacity in West African ports.

Uruguay

Beef and veal production in Uruguay for 1978 is forecast at 400,000 tons. This is a 21 percent increase over the latest 1977 production estimate of 314,000 tons. During 1977, producers were reluctant to sell mature steers because of low administered prices and expectations for future price increases. Therefore, some animals that should have been slaughtered in 1977 were carried over into 1978.

Cattle slaughter is expected to rise from 1.56 million head in 1977 to 1.91 million head in 1978. The expected increase is in response to a November 7 Government decree that authorized (1) a 30 percent increase in the price of fully mature steers (4-5 years old), up to about equivalent of 29 U.S. cents per kilogram liveweight, (2) the creation of a new tax to be applied to those producers who retain their cattle and do not sell them when ready to be slaughtered, and (3) a deadline of July 1978 to sell all fully mature steer (approximately 1 million head), after which a tax of $28.57 per head will be applied on the unsold mature steers. This decree aims at alleviating some of the pressure the cattle breeders have been enduring because the fatteners were withholding their stock from the market because of unattractive fixed cattle prices.

The Government of Uruguay is pursuing efforts to assure a continued supply of domestic beef at below international prices. As a result, the forecast for domestic consumption in 1978 is for an 18 percent increase over 1977 to 225,000 tons. The Government is expected to continue to give priority to domestic consumption of beef and veal in 1978, possibly with a new formula that would more nearly equate exports and domestic supplies.

The 1978 estimate of exports is 175,000 tons, 26 percent above 1977 shipments. Potential new markets for Uruguayan beef are Egypt, which was reported to be a possible purchaser of 70,000 tons, product weight, of boneless beef in 1978, and South Africa, Israel, Nigeria, and Switzerland. However, so far, the Uruguayan frigorificos have only made one supply agreement and that is with their traditional market, Brazil, to export 50,000 tons of beef.

This circular was prepared by the Dairy, Livestock, and Poultry Division, FCA/FAS. For further information contact John E. Riesz, (202) 447-7217

TABLE 1--BEEF AND VEAL: IMPORTS BY SELECTED COUNTRIES AND TOTAL FOR ALL COUNTRIES, 1974-78 (CARCASS WEIGHT EQUIVALENT)
(In thousands of metric tons)

Country	1974	1975	1976	Estimated 1977	Forecast 1978 1/
United States	747	808	953	890	930
EC 2/	429	286	458	475	475
Canada	84	87	143	100	102
Japan	77	64	130	120	135
Spain	14	27	44	50	45
Greece	26	36	79	80	85
Switzerland	20	11	15	16	15
Germany, East	20	35	40	46	46
USSR	293	372	275	250	275
Brazil	53	29	27	20	100
Portugal	36	24	36	54	50
Other countries	253	626	778	875	800
Total	2,052	2,405	2,976	2,966	3,047

1/ FAS estimates. 2/ Excludes intra-trade.

TABLE 2--BEEF AND VEAL: EXPORTS BY SELECTED COUNTRIES AND TOTAL FOR ALL COUNTRIES, 1974-78 (CARCASS WEIGHT EQUIVALENT)
(In thousands of metric tons)

Country	1974	1975	1976	Estimated 1977	Forecast 1978 1/
P.L. 88-482: 2/					
Australia	486	744	860	1,087	1,000
New Zealand 3/	258	305	383	403	357
Canada	27	21	59	54	55
Mexico	19	14	23	30	30
Central America 4/	115	124	133	134	158
Subtotal	905	1,208	1,458	1,708	1,600
EC 5/	207	234	195	130	125
Argentina	289	266	534	613	625
Uruguay	120	113	195	129	175
Other countries	530	525	560	550	550
Subtotal	1,146	1,138	1,484	1,422	1,475
Grand total	2,051	2,346	2,942	3,130	3,075

1/ FAS forecast. 2/ Excludes Ireland. 3/ Year ending September. 4/ Includes Dominican Republic and Haiti. 5/ Excludes intra-trade

TABLE 3.--BEEF AND VEAL: CONSUMPTION, PRODUCTION, AND IMPORTS FOR UNITED STATES, EC AND JAPAN, 1972 TO DATE--CARCASS WEIGHT EQUIVALENT

Country and year	Per Capita consumption		Domestic production		Imports 1/				Wholesale prices 2/	
	Quantity	Index 1972 =100	Quantity	Index 1972 =100	Quantity	Index 1972 =100	Share of production	Share of world imports	Cents per kg.	Index 1972 =100
	kgs.		1,000 M.T.		1,000 M.T.		percent	percent		
United States:										
1972	54	100	10,377	100	905	100	9	35	116.62	100
1973	51	94	9,813	95	917	101	9	33	142.37	122
1974	54	100	10,716	103	747	83	7	36	144.14	124
1975	56	104	11,271	109	808	89	7	35	149.36	128
1976	61	113	12,166	117	953	105	8	33	127.56	109
1977 3/	59	109	11,845	114	890	98	8	29	127.50	109
1978 4/	56	104	11,275	109	930	103	8	31	133.00	114
EC:										
1972	25	100	5,506	100	952	100	17	37	186.62	100
1973	25	100	5,575	101	1,008	106	18	36	237.94	127
1974	26	104	6,585	120	429	45	7	21	229.98	123
1975	26	104	6,568	119	286	30	4	12	276.81	148
1976	25	100	6,533	119	458	48	7	16	281.44	151
1977 3/	25	100	6,340	115	475	50	7	16	302.58	162
1978 4/	26	104	6,400	116	475	50	7	16	340.00	182
Japan:										
1972	4	100	295	100	87	100	29	3	280.34	100
1973	4	100	227	77	194	223	85	7	478.31	171
1974	3	75	292	99	77	89	26	4	396.39	141
1975	4	100	353	120	64	74	19	3	487.22	174
1976	4	100	298	101	130	149	44	5	578.49	206
1977 3/	4	100	360	122	120	138	34	4	606.86	216
1978 4/	4	100	385	131	135	155	32	4	640.00	228

1/ Intra-trade excluded for EC and world total. 2/ U.S.: dressed fresh beef, good--600-700 pounds, Midwest; EC: Hamburg--wholesale price of bullock and heifers; Japan: fattened Wagyu cattle. 3/ Preliminary. 4/ Estimate.

TABLE 4--MEAT PRODUCTION IN MAJOR IMPORTING AREAS, 1974-78
CARCASS WEIGHT EQUIVALENT
(In thousands of metric tons)

Commodity and country	1974	1975	1976	Estimated 1977	Forecast 1978
Beef and veal:					
United States....	10,716	11,271	12,166	11,845	11,275
Canada.....	942	1,050	1,139	1,181	1,125
EC.....	6,585	6,658	6,533	6,340	6,400
Japan 3/.....	292	353	298	360	385
Total.....	18,535	19,332	20,136	19,726	19,185
Pork:					
United States....	6,500	5,343	5,755	6,009	6,155
Canada.....	611	521	512	553	603
EC.....	7,730	7,750	7,973	8,252	8,354
Japan 3/.....	958	1,039	1,056	1,165	1,200
Total.....	15,799	14,653	15,296	15,879	16,312
Mutton and lamb:					
United States....	211	186	168	159	157
Canada.....	8	8	8	6	6
EC.....	508	529	535	511	531
Japan 3/.....	1/	1/	1/	1/	1/
Total.....	727	723	711	676	694
Poultry: 2/					
United States....	4,938	4,825	5,379	5,474	5,830
Canada.....	469	412	458	471	476
EC.....	3,126	3,101	3,341	3,456	3,530
Japan.....	740	756	839	886	920
Total.....	9,273	9,094	10,017	10,287	10,756
Total meat:					
United States....	22,365	21,625	23,468	23,487	23,267
Canada.....	2,030	1,991	2,117	2,211	2,210
EC.....	17,949	18,038	18,382	18,559	18,815
Japan.....	1,990	2,006	2,193	2,411	2,505
Total.....	44,334	43,802	46,160	46,668	46,797

1/ Less than 500 tons. 2/ Product weight basis. 3/ Prior to 1976 Japanese Ministry of Health and Welfare, 1976 forward Japanese Ministry of of Agriculture and Forestry.

TABLE 5--NET MEAT IMPORTS IN MAJOR IMPORTING AREAS, 1974-78 (CARCASS WEIGHT EQUIVALENT)
(In thousands of metric tons)

Commodity and country	1974	1975	1976	Estimated 1977	Forecast 1978
Beef and veal:					
United States....	718	784	912	844	875
Canada.....	57	66	85	45	37
EC 1/.....	222	52	263	345	350
Japan.....	77	64	130	120	135
Total.....	1,074	966	1,390	1,354	1,397
Pork:					
United States....	172	101	69	66	80
Canada.....	-5	4	50	48	45
EC 1/.....	-62	26	22	-14	-90
Japan.....	60	178	204	157	125
Total.....	165	309	345	257	160
Mutton and lamb:					
United States....	10	10	15	8	13
Canada.....	22	20	17	14	15
EC 1/.....	235	254	254	254	240
Japan.....	180	262	272	290	280
Total.....	447	546	558	566	548
Poultry: 2/					
United States....	-74	-95	-183	-187	-190
Canada.....	1	10	32	24	22
EC 1/.....	-88	-65	-99	-153	-183
Japan.....	25	19	36	38	28
Total.....	-136	-131	-214	-278	-323
Total Meat:					
United States....	826	780	813	731	778
Canada.....	75	100	184	131	119
EC 1/.....	307	267	440	432	317
Japan.....	342	523	642	605	568
Total.....	1,550	1,670	2,079	1,899	1,782

1/ Excludes intra-trade. 2/ Product weight basis.

TABLE 6--PRODUCTION AND EXPORTS OF BEEF AND VEAL BY MAJOR EXPORTING COUNTRIES, 1974-78 (CARCASS WEIGHT EQUIVALENT)
(In thousands of metric tons)

Item	1974	1975	1976	Estimated 1977	Forecast 1978
Production:					
P.L. 88-482 countries: 1/					
Australia	1,268	1,697	1,870	2,093	1,900
New Zealand 2/	405	508	612	535	510
Central America 3/	318	340	371	379	419
Mexico	844	889	986	1,040	1,020
Subtotal	2,835	3,434	3,751	4,047	3,849
Other:					
Argentina	2,163	2,439	2,811	2,909	2,955
Uruguay	330	345	405	314	400
Subtotal	2,493	2,784	3,216	3,223	3,355
Total	5,328	6,218	6,938	7,270	7,194
Exports:					
P.L. 88-482 countries: 1/					
Australia	486	744	860	1,087	1,000
New Zealand 2/	258	305	383	402	357
Central America 3/	115	124	133	134	158
Mexico	19	14	23	30	30
Subtotal	877	1,187	1,399	1,653	1,545
Other:					
Argentina	289	266	534	613	625
Uruguay	120	113	195	129	175
Subtotal	409	379	729	742	800
Total	1,286	1,567	2,128	2,395	2,345

1/ Excludes Canada and Ireland. 2/ Year ending September. 3/ Includes Haiti and Dominican Republic

TABLE 7--PRODUCTION AND EXPORTS OF MUTTON AND LAMB BY MAJOR EXPORTING COUNTRIES, 1974-78 (CARCASS WEIGHT EQUIVALENT)
(in thousands of metric tons)

COUNTRY	1974	1975	1976	Estimated 1977	Forecast 1978
Production:					
Australia	468	548	593	544	495
New Zealand 1/	498	491	513	510	520
Argentina	112	123	133	133	126
Total	1,078	1,162	1,239	1,187	1,141
Exports:					
Australia	123	194	264	272	250
New Zealand 1/	349	385	398	402	420
Argentina	25	27	39	45	35
Total	497	606	701	719	705

1/ Year ending September

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